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THE IMPACT OF INCLUDING HOUSING ASSISTANCE AS INCOME
IN DETERMINING FOOD STAMP ELIGIBILITY AND BENEFITS

REPORT TO THE CONGRESS

FOOD AND NUTRITION SERVICE
U.S. DEPARTMENT OF AGRICULTURE

THE IMPACT OF INCLUDING HOUSING ASSISTANCE AS INCOME
IN DETERMINING FOOD STAMP ELIGIBILITY AND BENEFITS

The Urgent Appropriation for the Food Stamp Program for Fiscal Year 1980 (P.L. 96-243, May 16, 1980) directed the Department of Agriculture to study and report to Congress on the potential impact of including housing assistance as income in the determination of food stamp eligibility and benefits. This paper reports the results of that study.

The first section of the paper assesses the implications of counting as income the aid provided by the Section 8 program, one of the two largest housing assistance programs in operation today. Issues related to counting Section 8 subsidies as income and conceptual problems with measuring the value of housing subsidies are dealt with in the second and third sections, respectively. The fourth section provides a similar analysis of the other principal assistance program, public housing. Other forms of housing assistance are briefly examined in the fifth section. The final section summarizes the findings, and presents conclusions and recommendations.

The Section 8 Program

Section 8 of the Housing and Urban Development Act of 1974 provides aid to low income households by paying rent subsidies to landlords, thus reducing rents the households have to pay to obtain adequate housing. Landlords contract with local housing authorities to have their houses or apartments designated as Section 8 units. Low income households apply with the local housing authorities to become Section 8 participants. If they are found eligible and are able to locate Section 8 units to rent, these households have their rent payments limited to a maximum of 25% of their income. The housing authority determines the fair market rent (what the unit would rent for in the private housing market) of each unit and directly pays the landlord the difference between that fair market rent and the household's rent payment. All Section 8 units must be maintained in accordance with local building, housing, and health codes. Thus, the household is able to live in decent housing without paying an inordinately large fraction of its income and the landlord receives a fair rent for leasing the unit.

Measuring the dollar amount of the Section 8 subsidy provided for an individual household appears to be simple. Since the subsidy is a cash payment made directly to the landlord, the amount of that payment is the amount of the subsidy. Including the subsidy as income in food stamp eligibility and benefit calculations involves adding the dollar subsidy to the household's gross income, adjusting the household's shelter cost upward by the same amount (since all of the subsidy is, by definition, spent on housing),^{1/} and calculating a new benefit level utilizing these new values for income and shelter costs.

^{1/} If the housing subsidy is to be included as income, the full housing value (rent paid by the household plus subsidy) must be counted as shelter costs. This is consistent with the concept of the household receiving additional income (the subsidy), all of which is spent on housing.

Because food stamp benefits are reduced by 30¢ for each additional dollar of net income, inclusion of Section 8 subsidies as income could cut food stamp allotments by up to 30% of the amount of the subsidy. For many households, however, the increase in income resulting from counting the subsidy would be partially offset by an increase in the excess shelter cost deduction,^{2/} since the household's rent payment must also rise by the amount of the subsidy. In general, the effect of counting Section 8 subsidies as income for food stamp recipients would be to reduce food stamp benefits by 15 to 30% of the amount of the subsidy.

The actual impact of including Section 8 housing assistance as income in the Food Stamp Program was estimated utilizing data from the November 1979 Survey of the Characteristics of Food Stamp Households and Department of Housing and Urban Development (HUD) files on housing program participation. No data are available that show which households participate in both the Food Stamp and Section 8 programs. Consequently, Section 8 program participation by Food Stamp households was imputed based on household composition and income and whether the household owned or rented their home. Twelve types of households and eight income classes were defined as shown in Table 1.

Estimated Section 8 participation by food stamp households is shown in Table 2 by household composition and by income class. Nearly 7 percent of food stamp households are estimated to receive assistance through the Section 8 program,

^{2/} A household's excess shelter cost is the amount by which its rent payment exceeds one-half of its adjusted income (gross income less \$85 standard deduction less allowable child care costs up to a maximum of \$115 per month). Excess shelter costs are deductible from gross income up to the difference between the \$115 cap and child care costs. For households with elderly members or persons receiving Supplemental Security Income (SSI), all excess shelter costs are deductible; the \$115 cap does not apply.

TABLE 1

FOOD STAMP HOUSEHOLDS BY COMPOSITION AND INCOME CLASS
November 1979

BY HOUSEHOLD COMPOSITION			BY INCOME CLASS		
Composition	Number of Households	Percentage of Food Stamp Households	Annual Gross Income	Number of Households	Percentage of Food Stamp Households
Non-elderly, male alone	398,775	6.3%	Less than \$2000	1,060,085	16.9%
Non-elderly male with other adults only	143,461	2.3%			
Non-elderly female alone	514,066	8.2%	\$2000-3000	1,662,542	26.4%
Non-elderly female w/other adults only	167,092	2.7%	\$3000-5000	1,987,915	31.6%
Elderly person alone	1,061,579	16.9%	\$5000-7500	1,053,246	16.8%
Elderly head with others	471,256	7.5%	\$7500-10,000	403,850	6.4%
Non-elderly male head w/children, 2-3 persons	217,060	3.5%	\$10,000-15,000	114,093	1.8%
Non-elderly male head w/children, 4-5 persons	405,543	6.5%	Over \$15,000	3,995	0.1%
Non-elderly male head w/children, 6 or more persons	232,154	3.7%	TOTAL	6,285,726	100.0%
Non-elderly female head w/children, 2-3 persons	1,597,740	25.4%			
Non-elderly female head w/children, 4-5 persons	814,661	13.0%			
Non-elderly female head w/children, 6 or more persons	262,339	4.2%			
TOTAL	6,285,726	100.0%*			

Source: Based on November, 1979 Survey of the Characteristics of Food Stamp Households, USDA, Food and Nutrition Service.

* Detail may not add to totals due to rounding.

TABLE 2

ESTIMATED SECTION 8 PARTICIPATION BY FOOD STAMP HOUSEHOLDS
November 1979

BY HOUSEHOLD COMPOSITION			BY INCOME CLASS		
Composition	Number of Households	Percentage of Food Stamp Households	Annual Gross Income	Number of Households	Percentage of Food Stamp Households
Non-elderly male alone	1,133	0.28%	Less than \$2000	14,078	5.10%
Non-elderly male with other adults only	1,007	0.70%	\$2000-3000	155,349	9.37%
Non-elderly female alone	4,707	0.92%	\$3000-5000	136,427	6.86%
Non-elderly female with other adults only	1,217	0.73%	\$5000-7500	60,949	5.79%
Elderly person alone	111,902	10.54%	\$7500-10,000	4,742	1.08%
Elderly head with others	32,442	6.88%	\$10,000-15,000	29	0.03%
Non-elderly male head with children, 2-3 persons	8,918	4.11%	Over \$15,000	—	—
Non-elderly male head with children, 4-5 persons	13,243	3.27%	TOTAL	411,674	6.55%
Non-elderly male head with children, 6 or more persons	4,306	1.85%			
Non-elderly female head with children, 2-3 persons	169,428	10.59%			
Non-elderly female head with children, 4-5 persons	53,104	6.52%			
Non-elderly female head with children, 6 or more persons	10,462	3.99%			
TOTAL	411,674	6.55%			

Source: Based on November 1979 Survey of the Characteristics of Food Stamp Households (USDA, FRS) and on the RCD file of Section 8 participant characteristics.

a total of over 410,000 households. This group constitutes just under half (45.8 percent) of all Section 8 participants.^{3/} Over one-third of food stamp households being aided under the Section 8 program have elderly heads and nearly 60 percent are headed by females with dependent children. 51 percent have gross incomes of less than \$3000 per year and nearly 85 percent have annual gross incomes below \$5000. Virtually no households with incomes above \$10,000 participate in both the Section 8 and Food Stamp Programs.

According to the HUD data, the average value of Section 8 subsidies is just under \$130 per month. As Table 3 demonstrates, this average is fairly constant across household types, although elderly headed households receive slightly smaller subsidies and the average subsidy increases with the number of persons in the household. As would be expected, the average subsidy generally declines as gross household income rises; variations in this pattern are due to differences in fair market rents which are related to varying housing needs of different sizes of households.

The effect on food stamp benefits of including these subsidies as income can be estimated through the use of a simple simulation model in which sample food stamp households are assigned average Section 8 subsidy values based on their composition, gross income, and probability of being Section 8 participants. Because average subsidy amounts are used rather than specific values for each household, the estimates are not likely to be precise for any particular sample household, but the aggregate effects should be predicted with reasonable accuracy. The assigned subsidies were added to both gross household income

^{3/} The percentage of Section 8 participants receiving food stamps is as low as it is as a result of the low food stamp participation rate of elderly households. Elderly headed households make up about 52% of Section 8 participants. Consequently, their low food stamp participation rate has a substantial impact on the food stamp participation rate of Section 8 households as a group.

TABLE 3

ESTIMATED AVERAGE VALUE OF SECTION 8 HOUSING ASSISTANCE FOR FOOD STAMP HOUSEHOLDS
November 1979

BY HOUSEHOLD COMPOSITION		BY INCOME CLASS	
Composition	Average Value of Housing Assistance	Annual Gross Income	Average Value of Housing Assistance
Non-elderly male alone	\$112.23	Less than \$2000	\$143.20
Non-elderly male with other adults only	96.68	\$2000-3000	124.47
Non-elderly female alone	110.74	\$3000-5000	132.38
Non-elderly female with other adults only	122.73	\$5000-7500	118.72
Elderly person alone	108.15	\$7500-10,000	109.52
Elderly head with others	112.98	\$10,000-15,000	*
Non-elderly male head with children, 2-3 persons	116.19	Over \$15,000	-----
Non-elderly male head with children, 4 or more persons	121.14	TOTAL	\$128.54
Non-elderly male head with children, 6 or more persons	133.15		
Non-elderly female head with children, 2-3 persons	137.61		
Non-elderly female head with children, 4-5 persons	150.03		
Non-elderly female head with children, 6 or more persons	<u>168.64</u>		
TOTAL	\$128.54		

Sources: Based on November 1979 Survey of Characteristics of Food Stamp Households, USDA, Food and Nutrition Service and HUD files on Section 8 participant characteristics.

and the household's rent payment, and program eligibility and benefit levels were recalculated. No attempt was made to adjust for potential changes in food stamp recipients' behavior which might result from the new policy. If recipients were to alter their behavior in response to the policy of counting housing aid as income, their actions would most likely reduce the policy's impact on food stamp benefit levels. As a result, the predicted effects should be viewed as maximum estimates. However, too little is known about behavioral changes to allow any estimation of how large the impact of such changes might be.

Tables 4 and 5 show the effects of including Section 8 subsidies as income, broken down by household composition and income class, respectively. Overall, the policy results in a decline in average food stamp allotments from \$86.17 to \$60.34 per month, a drop of \$25.83 or 30.0%. About 4.3% of food stamp households participating in the Section 8 program would become ineligible for food stamp benefits. While these overall impacts are spread fairly evenly across income classes, households types would be affected differentially.

The elderly would be hit particularly hard by the change. For elderly persons living alone, food stamps would, on average, fall by more than 50 percent and nearly 5 percent would lose their food stamp benefits entirely. Elderly households with more than one person would have their monthly food stamp allotments cut by more than one-third and about one out of every six such households would no longer be eligible for food stamps at all. These impacts would be even greater if elderly households were not allowed unlimited excess shelter cost deductions.

TABLE 4

FAMILY CHANGES IN TWO STAMP BENEFITS* INCLUDING SECTION 9 ASSISTANCE AS BEFORE

BY HOUSEHOLD COMPOSITION

Change from	Year to Benefits of the Change	Average Benefits After Change	Difference	Percentage Change	Households in the Category	Percentage Exceeding Eligibility
2 persons, 1 child, 1 spouse	\$ 65.12	\$ 28.12	\$ 35.00	53.8%	30	2.6%
2 persons, 1 child, 1 spouse, 1 grandchild, 1 grandchild	71.12	54.94	16.25	23.0	46	4.5%
2 persons, 1 child, 1 spouse, 1 grandchild, 1 grandchild, 1 spouse	79.12	61.12	17.87	22.6	106	2.3%
2 persons, 1 child, 1 spouse, 1 grandchild, 1 grandchild, 1 spouse, 1 grandchild, 1 grandchild only	87.92	64.77	26.18	33.2	100	8.2%
2 persons, 1 child, 1 spouse, 1 grandchild, 1 grandchild, 1 spouse, 1 grandchild, 1 grandchild, 1 spouse	95.40	71.80	23.60	24.6	5125	4.5%
2 persons, 1 child, 1 spouse, 1 grandchild, 1 grandchild, 1 spouse, 1 grandchild, 1 grandchild, 1 spouse, 1 grandchild	63.83	42.16	21.67	33.9	5665	17.2%
2 persons, 1 child, 1 spouse, 1 grandchild, 1 grandchild, 1 grandchild, 1 spouse, 1 grandchild, 1 grandchild, 1 spouse, 1 grandchild	76.73	52.36	24.37	31.7	469	4.5%
2 persons, 1 child, 1 spouse, 1 grandchild, 1 grandchild, 1 grandchild, 1 spouse, 1 grandchild, 1 grandchild, 1 grandchild, 1 spouse, 1 grandchild, 1 grandchild	92.46	63.57	28.89	31.2	906	2.3%
2 persons, 1 child, 1 spouse, 1 grandchild, 1 grandchild, 1 grandchild, 1 spouse, 1 grandchild, 1 grandchild, 1 grandchild, 1 spouse, 1 grandchild, 1 grandchild, 1 grandchild	96.82	67.99	28.82	31.2	4	2.3%
2 persons, 1 child, 1 spouse, 1 grandchild, 1 grandchild, 1 grandchild, 1 spouse, 1 grandchild, 1 grandchild, 1 grandchild, 1 spouse, 1 grandchild, 1 grandchild, 1 grandchild, 1 grandchild	92.83	63.20	29.68	32.7	4402	2.6%
2 persons, 1 child, 1 spouse, 1 grandchild, 1 grandchild, 1 grandchild, 1 spouse, 1 grandchild, 1 grandchild, 1 grandchild, 1 spouse, 1 grandchild, 1 grandchild, 1 grandchild, 1 grandchild, 1 grandchild	100.66	74.42	26.24	26.0	1179	2.1%
2 persons, 1 child, 1 spouse, 1 grandchild, 1 grandchild, 1 grandchild, 1 spouse, 1 grandchild, 1 grandchild, 1 grandchild, 1 spouse, 1 grandchild, 1 grandchild, 1 grandchild, 1 grandchild, 1 grandchild, 1 grandchild	229.74	199.69	30.05	13.1	30	0.2%
2 persons, 1 child, 1 spouse, 1 grandchild, 1 grandchild, 1 grandchild, 1 spouse, 1 grandchild, 1 grandchild, 1 grandchild, 1 spouse, 1 grandchild, 1 grandchild, 1 grandchild, 1 grandchild, 1 grandchild, 1 grandchild, 1 grandchild	26.17	16.34	9.83	37.6%	1779	4.3%

* Figures based on data for 1979, Survey of Post Stamp Beneficiaries, 1979, Post and Nutrition Service and estimates shown in Tables 1 and 2.

TABLE 5
ESTIMATED CHANGES IN FOOD STAMP BENEFITS* INCLUDING SERVICES & ASSISTANCE AS LOANED

FAMILY INCOME CLASS	Average Benefits		Average Benefits After Deductions	Difference	Percentage Change	Households Receiving Benefits	Percentage of Total Households
	Before Change	After Change					
less than \$1,000	\$ 142.98	\$ 122.61	\$ 122.61	\$ 20.37	14.2%	1	0.0%
\$1,000 - 1,499	73.59	48.97	48.97	24.62	33.5	1	0.0%
1,500 - 2,499	74.24	46.44	46.44	27.79	37.4	6,449	6.4%
2,500 - 3,499	94.33	65.52	65.52	28.81	30.5	7,759	7.7%
3,500 - 4,499	90.51	57.16	57.16	33.35	36.1	14,447	14.4%
4,500 - 14,999	*	*	*	*	*	*	*
over \$15,000	-	-	-	-	-	-	-
TOTAL	\$ 86.17	\$ 60.38	\$ 60.38	\$ 25.79	30.0%	14,449	14.4%

Source: Based on November 1979, Survey of Food Stamp Households, U.S.D.A., Food and Nutrition Service and estimates shown in Tables 2 and 3.

* Sample too small to provide reliable estimates.

Households composed of single mothers with children are also greatly affected. Their food stamp allotments would be reduced by \$30 to \$42 per month, depending on household size. Relatively few would lose their eligibility entirely, since their current benefit levels are relatively high. However, these households would lose from one-sixth to one-third of their food stamp allotments.

Overall, 90% of the savings that would accrue would arise from benefit reductions for elderly headed households or households composed of single mothers with children. This is primarily due to the heavy representation of these groups among Section 8 households receiving food stamps: nearly 60% of this group are single mothers with children and over 30% are elderly.

By income class, 82% of the savings would accrue from households with gross incomes below \$5,000 per year, and 47% would come from reductions in benefits for households with less than \$3,000 a year in income. This, once again, is primarily due to the heavy representation of very poor households among those receiving both food stamps and Section 8 benefits.

While the estimated food stamp benefit reductions presented above would yield savings, the administrative costs of counting housing assistance as income would offset some part of the savings. These administrative costs could be significant. Because Section 8 subsidies are paid directly to landlords and not to participating households, many food stamp households may not know whether they are receiving Section 8 assistance and few would know the amount of their subsidy. As a result, food stamp case workers might have to check with the local housing authority in a substantial portion of food stamp cases to determine whether the food stamp household was participating in the

Section 8 program. Furthermore, any changes in either household income or the fair market rent of Section 8 units would be reflected in the amount of the household's Section 8 subsidy and would require additional contact between food stamp case workers and local housing authorities. Increased administrative costs would offset a part of benefit savings.

Issues related to counting Section 8 subsidies as income

The idea of counting Section 8 subsidies as income rests on the assumption that a household's receipt of a housing subsidy is equivalent to receiving the same amount of cash income. This is true only if receipt of the housing subsidy has the same impact on the household's ability to purchase food as would be the case if the household received an equivalent amount of cash. There are serious problems with this assumption as the following example illustrates.

Consider a single mother with three children whose only income is \$300 per month in Aid to Families with Dependent Children (AFDC). Suppose that she rented a substandard apartment for \$100 per month before receiving Section 8 assistance, and that she now occupies an apartment valued at \$350 per month. She pays \$75 in rent (25% of her income) and the Section 8 program pays \$275 per month. The mother now has \$225 left to spend on food and other items besides housing. This is \$25 more than she had before she moved into a Section 8 subsidized unit. If the \$275 Section 8 subsidy is counted as income, the mother's reduced need for assistance in purchasing food is presumed to be far greater than it actually is.

In fact, the \$275 subsidy would be the same as cash income only if she would choose to spend \$350 for an apartment if her cash income actually was \$575 (= \$300 AFDC + \$275 subsidy). This would be the equivalent of her spending over 90% of her \$275 in increased income on housing. Evidence from the Experimental Housing Allowance Program indicates that households do not choose to spend anywhere near that large a fraction of increases in cash income on housing, however, but rather spend approximately 10% of cash transfers on housing.^{4/}

Counting the entire subsidy as income would be the equivalent of requiring a household with \$575 income to spend \$350 per month on housing, and then arguing that its food stamp need should be based on the \$575 income and not on the \$225 left for non-housing expenditures. The household is better off because it is better housed and has \$25 more to spend on non-housing items each month, but to reduce food stamp benefits based on the full amount of subsidy would overstate the increase in the household's disposable income available for food purchases. The family may be housed well but that has little or no effect on its ability to obtain adequate food or other necessities.

The difficulty lies in the fact that when a household receives a housing subsidy, it receives little or no increase in disposable income^{5/} since the subsidy goes directly to the landlord to pay for housing. The household has

^{4/} Marc Bendick and James Zais, Incomes and Housing: Lessons from Experiment with Housing Allowances, Urban Institute Paper 249-9. Washington, D.C.: The Urban Institute, October, 1978, p. 4.

^{5/} The household's disposable income will rise by the difference between its rent payment before and after receipt of the subsidy. This is certain to be substantially less than the subsidy.

more to spend on food and other non-housing items only to the extent that the housing subsidy reduces the household's cash outlay for rent. While this might be the case if the household had previously been paying an extraordinarily large fraction of its income on rent, the housing assistance more typically would have only a minor effect on the household's rent payments. Consequently, the household's need for food stamp assistance may be reduced very little as a result of the housing assistance, and certainly not as much as if the amount of the subsidy were provided as unconstrained cash income. To consider housing subsidies as the equivalent of cash incomes is to understate the need of recipient households for food and other non-housing assistance.

Counting housing assistance as income could, in some cases, also lead households to live in poorer quality housing. Consider again the hypothetical AFDC family described above. Currently, this household would receive \$168 per month in food stamps and would have food stamps plus \$225 in cash (after paying \$75 rent) or \$393 to spend on food and other non-housing items. If the \$275 housing subsidy were counted as income, the family's monthly food stamp allotment would fall to \$117 and it would have \$342 in food stamps and cash to spend on non-housing items each month. On the other hand, the family could return to its old \$100 per month apartment and its food stamp allotment would rise back to \$168 per month, giving it \$368 for non-housing expenditures after paying its rent. For some poor households with young children (or for some elderly persons in similar situations), the additional \$26 in disposable income that would be available for food purchases may be worth more than the improved housing. If so, the change in food stamp policy would work in opposition to the goals of Federal housing assistance programs.

Measuring the value of housing subsidies

The variation in the amount of Section 8 subsidies which occurs across housing markets also presents a major issue. If fair market rents accurately reflect differences in housing prices, identical units could be valued quite differently in different housing markets, and the calculated Section 8 subsidies would differ accordingly for otherwise identical families. Including the divergent subsidies as income in determining food stamp benefits would severely discriminate against households residing in areas with high housing costs. Food stamp allotments would be substantially lower for such households, even though their housing was no different from that of similar households in lower price areas, and their cash income available for food purchases was the same. For example, the apartment of our hypothetical AFDC household might be valued at \$500 per month in a high price urban location, at \$300 in a lower price metropolitan area, and only \$200 in a rural town. In each case, the household would pay \$75 towards the rent, and the difference would be included as income received as a housing subsidy. For these three situations, food stamp benefits would be \$76, \$125, and \$140 per month, respectively, although the households would differ not at all in their cash income to purchase food (and other non-housing items). While some locational inequities are almost certain to occur in any social welfare program, the magnitude of the difference in potential treatment in the case of housing subsidies is substantial, far greater than differences in purchasing power due to divergent prices for other goods. This must be regarded as a serious problem.

A further problem is that for many housing units, the determination of the fair market value of local housing authorities is, by necessity, somewhat arbitrary. Few units of Section 8 housing have perfectly comparable counter-

parts in the private market, so private market rents often cannot be used directly. Once comparability is inexact, value assignments are only approximate. In addition, there may be a tendency on the part of local housing authorities to overvalue units in order to induce landlords to participate in the Section 8 program. Thus, fair market rents may tend to be overstated.

Public Housing

Public housing differs from Section 8 housing in that units are generally owned not by private landlords but rather by the government, usually in the form of a local public housing authority.^{6/} Eligible households are assigned to individual units as they become available and pay rents which are limited to a maximum of 25% of their incomes. The Federal government pays 100% of the capital costs of constructing or purchasing public housing units and may also pay any or all of the operating and maintenance costs if necessary to keep the local public housing authority from incurring deficits. All taxes are foregone by the various levels of government, although payments in lieu of taxes are authorized. In general, these subsidies paid for capital, operating, and maintenance costs and in foregone taxes are provided for entire complexes of public housing and not for individual units. As of 1980, there were approximately 1.1 million units of public housing, nearly 45% of which were occupied by elderly households and almost 40% by households composed of single mothers with children.

^{6/} This is not true for leased public housing. These units are privately owned and leased to local housing authorities for use as public housing. Once leased to the government, such units are handled in the same manner as government-owned public housing.

Table 6 shows estimated public housing participation by food stamp households as of November 1979. As was the case for the Section 8 program discussed above, no data are available concerning household participation in both programs. Consequently, estimates were made on the basis of data on participation rates in each program separately (broken down by the twelve household compositions and eight income classes given in Table 6) and the fraction of food stamp households which rent rather than own their homes. Just over half a million food stamp households are estimated to occupy public housing, slightly over 8 percent of all food stamp recipients. Conversely, about 44 percent of families in public housing receive food stamps, a function primarily of the low food stamp participation rates among the elderly. One-third of food stamp households occupying public housing are elderly. Nearly half (48.7 percent) are single mothers with dependent children. Food stamp recipients in public housing also tend to be very poor: 58.5 percent have annual incomes below \$3000 and 84.7 percent have incomes below \$5000. Virtually none of these households has an income over \$10,000 per year.

Estimating the impact of including public housing assistance as income for the food stamp program is more difficult than in the case of the Section 8 program, since subsidies for individual households cannot readily be ascertained. What is needed is the difference between the rental value^{7/} of the unit occupied by a household and the rent the household pays to the housing authority. Because most public housing units do not have counterparts in the private housing market, equivalent private market rents are very difficult to determine. As the House Agriculture Committee noted in its report on the Food Stamp Act of 1977,

^{7/} Note, however, that this encounters the various valuation problems discussed above with respect to Section 8 subsidies.

TABLE 6

ESTIMATED PUBLIC HOUSING PARTICIPATION
BY FOOD STAMP HOUSEHOLDS

<u>BY HOUSEHOLD COMPOSITION</u>			<u>BY INCOME</u>		
<u>Composition</u>	<u>Number of Households</u>	<u>Percentage of Food Stamp Households</u>	<u>Income Class</u>	<u>Number of Households</u>	<u>Percentage of Food Stamp Households</u>
Non-elderly male alone	10,163	2.24%	Less than \$2000	48,516	4.58%
Non-elderly male with other adults only	2,153	1.08%	\$2000-3000	250,395	15.06%
Non-elderly female alone	55,722	7.87%	\$3000-5000	133,806	6.73%
Non-elderly female with other adults only	4,509	2.35%	\$5000-7500	69,539	6.60%
Elderly person alone	138,978	16.66%	\$7500-10,000	8,809	2.18%
Elderly head with others	25,135	7.59%	\$10,000-15,000	111	0.10%
Non-elderly male head with children, 2-3 persons	5,655	2.55%	Over \$15,000	—	—
Non-elderly male head with children, 4-5 persons	11,943	2.92%	TOTAL	511,176	8.13%
Non-elderly male head with children, 6 or more persons	8,035	3.34%			
Non-elderly female head with children, 2-3 persons	140,867	8.72%			
Non-elderly female head with children, 4-5 persons	77,481	9.51%			
Non-elderly female head with children, 6 or more persons	30,534	11.50%			
TOTAL	511,176	8.13%			

Sources: Based on November 1979 Survey of the Characteristics of Food Stamp Households (USDA, FNS) and the HUD file of Housing Program Participation

There is no known fair rental value for such housing, nor can such value readily be assigned. The value of the housing would vary tremendously. In some public housing projects, where crime rates are extremely high..., there is almost no rental value. Few families would pay any significant amount of money to live in such housing if it were rented on the open market.^{8/}

Many families live in public housing only because they have no other real alternative; given the choice, few would choose to live in many projects. Because private market counterparts do not exist, any attempt to place values on public housing units would be highly arbitrary.

An alternative approach involves the use of government costs to measure the value of public housing units. This encounters problems of its own, however. First, while government costs could be determined fairly accurately, they are available only for entire complexes of public housing and generally not for individual units. Many of the costs are for common areas or services provided to the project as a whole and thus cannot readily be assigned to particular apartments. Even construction costs are difficult to break down to units, since contractor bids are for entire projects, not single units. Consequently, any assignment of project costs to individual units would have to be somewhat arbitrary.

A second problem lies in the fact that government costs for different projects vary greatly with the ages of the projects because both construction costs and financing cost have risen sharply over time. The more than doubling of interest rates on long-term government bonds over the last few years by itself would mean that a public housing project built today would have capital costs more than twice those of a project built five years ago.

^{8/} U.S. House of Representatives, Report on the Food Stamp Act of 1977, 95th Congress, 1st Session, House Report 95-464, June 24, 1977, p. 33.

If rising construction costs are also considered, the capital costs of the new unit could be four times that of one five years older. Because of this, newer units show markedly greater capital cost subsidies than equivalent but older units. While newer units might be worth somewhat more than older units simply because they are newer, it is unlikely that differences in rental value would be anywhere near as great as the very substantial differences in costs. Government costs are thus a poor measure of the worth of public housing.

In fact, there is little reason to believe that government costs bear any relation at all to the value of public housing units. The worst and hence least desirable projects might be those with the highest costs because of needs for additional security forces or large maintenance costs to repair damage due to vandalism. Examples such as the Columbia Point project in Boston demonstrate that high construction and operating costs may well have no impact on the desirability and hence the value of public housing. The use of government costs to measure the subsidy value of public housing could lead to significant inequities.

For these reasons, the assignment of rental values to the housing assistance provided for occupants of public housing units does not appear feasible. Any attempt to assign a rental value would be highly arbitrary. It would also be readily subject to legal challenge. Given the complexity of the problem, such challenges might be difficult to rebut, and would be certain to consume substantial resources to reach resolution. As a result, counting the value of public housing as income does not appear to be possible.

Because of the problem of attaching dollar values to the provision of public housing for food stamp recipients, estimating the impacts of counting public

housing assistance as income is also not possible. All that can be done is to determine what types of recipients would be affected if some way were found to assign accurate and equitable rental values to public housing units. One-third of the affected households would be elderly, about 85 percent of whom live alone. One-half would be single mothers with dependent children. Because these households occupy larger units which would probably be assigned higher subsidy values, their benefit reductions could be quite large, and a significant number could lose their food stamp benefits entirely. Overall, a quarter of a million single mothers with children and 165,000 elderly households would have food stamp benefits reduced. Nearly 85 percent of the households affected would have incomes below \$5000, and almost 60 percent would have incomes below \$3000.

Measuring and including the value of public housing assistance would add significant complexities and costs to the administration of the Food Stamp Program. Currently, no values are attached to individual units of public housing, and as the discussion above demonstrates, there is no practicable means of assigning values. Requiring a value for each unit would necessitate an exceedingly costly unit-by-unit assessment of a large number of the 1.1 million public housing units, and any such assessment would still, by necessity, be somewhat judgmental and subject to challenge. The need for continued updating of the values assigned to the rental units and for communication between public housing authorities and food stamp case workers each time a public housing unit changes occupancy or its value changes would generate further administrative costs.

Counting public housing assistance as income also raises the same difficulties described in the sections of this paper that treat the Section 8 program. Public housing occupancy does not have a marked impact on a household's disposable income, since benefits are in-kind. Families moving into public housing have more to spend on food and other non-housing consumption only to the extent that the rent they pay is less than what they paid for their old housing. Generally, this increase in disposable income would be far less than the value that might be assigned to occupancy of a public housing unit. Households living in public housing may (or may not) have improved housing, but any such improvement does not markedly reduced their need for food and other necessities.

A second difficulty follows from this: reducing food stamp benefits for families living in public housing may require that such families choose between living in public housing and getting enough to eat. The effect is to play one Federal program off against the other, reducing the likelihood that the goals of both can be attained. This problem would be exacerbated if the values attributed to public housing units overstate their values to occupants.

Other Housing Assistance

While public housing and the Section 8 program are the largest and most identifiable housing assistance programs in the United States, there are a number of other forms of aid which serve to reduce housing costs for American families. Unlike in the two programs already discussed, however, beneficiaries of most other programs are less readily identifiable and the value of the assistance provided to them can be even more difficult to measure.

Primary among these for renter households is the Section 236 (of the Housing and Urban Development Act of 1968) program,^{9/} under which about 500,000 households are aided. Section 236 provided mortgage subsidies for the construction or renovation of housing units to be rented to low and moderate income households. This capital cost subsidization was designed to allow apartment owners to charge lower rents than would otherwise be the case, thus reducing tenants' housing costs. However, the existence of the subsidy is probably unknown to tenants. As in the case of the Section 8 program, information would have to be obtained from local housing authorities concerning program beneficiaries. Unlike Section 8 units, however, Section 236 units are not assigned fair market rents and it is therefore extremely difficult to attach values to the subsidies provided to tenants. The problems are similar to those discussed for public housing above.

About 180,000 households currently receive assistance through the rent supplement program, although the program no longer accepts new recipients, having been replaced by the Section 8 program. Rent supplements are used by themselves or in conjunction with Section 236 to reduce the cost of housing for poor families. Payments are made directly to landlords and are based on the rent which the family would otherwise have to pay for its housing and on the family's income and other characteristics. Counting rent supplement as income would be almost identical to counting Section 8 aid, and would raise the same issues and encounter the same difficulties.

^{9/} The Section 236 program no longer functions in terms of subsidizing additional units. However, units which were built with Section 236 assistance continue to be subsidized through reduced mortgage costs.

Tax subsidies provide another form of housing assistance. When these are considered as a part of Federal housing assistance efforts, almost every American, regardless of income, receives housing assistance in some form. Renters benefit indirectly from Federal income tax laws which give landlords generous depreciation allowances and mortgage interest deductions, thus allowing rents to be set lower than they otherwise would be. The value of these tax subsidies to individual renters would be virtually impossible to determine and could never be included in income calculations. Some States allow elderly (and in fewer cases, non-elderly) households to deduct a portion of their rent payments on State income tax returns on the assumption that part of their rent goes to pay property taxes.

Aid to homeowners through tax systems is more substantial. Federal income tax laws allow the itemized deduction of all mortgage interest and property tax expenses incurred by homeowners. However, this is likely to be of little benefit to food stamp recipients for three reasons. First, relatively few food stamp households own their homes. Second, these benefits are available only if deductions are itemized, and low income households generally do not gain from itemizing their deductions. Finally, low income households generally pay little or no Federal tax, so tax savings offer little value.

About half the States provide State income tax credits for property tax expenses incurred by elderly (and sometimes non-elderly) homeowners. These credits are generally refundable,^{10/} so they are of value even to homeowners who would owe no tax anyway. However, identification of these and Federal tax subsidies would be both difficult and costly.

^{10/} That is, if the taxpayer owes less tax than the amount of the credit, the difference is paid to him. Non-refundable credits can only offset taxes and cannot result in payments to the taxpayer.

The only other important form of housing assistance involves the subsidization and guarantee of mortgages. At the Federal level, both HUD and the Veterans Administration (VA) operate mortgage programs. Some State and local governments also make subsidized loans available to selected households to enable them to purchase their own homes. While it would be possible to identify the recipients of mortgage assistance if it were required, the data are not readily available. Further, because there is not private market counterpart for the mortgage guarantees, it would be extremely difficult to value them fairly. The costs and problems involved in gathering information on these subsidies are great enough that it would be impractical to try to include their value in income calculations.

The various kinds of housing assistance discussed in this section encounter all the problems met by the Section 8 and public housing programs in the attempt to count their value as income for recipients, in addition to the identification problems discussed above.

Conclusions

This final section reviews the logic behind and difficulties involved in counting the value of housing assistance as income in the determination of food stamp eligibility and benefits. Each of these points has been discussed above in the sections relating to individual housing programs. Their restatement here is to provide a consolidated overview of the issues involved.

1. Households receiving housing aid are better off than otherwise identical households who receive no aid. This provides the basis for the proposal to include the value of housing assistance as income. The main question is not whether aided households are made better off, but rather how they are made better off and what effect this has on their need for food stamp assistance.

2. Housing assistance is likely to have only a small impact on a household's disposable income and hence on its need for food stamps. The major thrust of housing programs is to reduce the effective cost of adequate housing units so that low income households can afford decent housing. Aided households are thus able to improve their housing. Since Federal programs limit the household's rent payment to no more than 25 percent of its income, participation in a housing program may also reduce the household's rent expenditure. This yields an increase in disposable income available for the consumption of food and other non-housing items, but that increase is almost certain to be far less than the full amount of the housing subsidy. Since only changes in disposable income which can be used for non-housing consumption affect the household's ability to purchase food, lowering food stamp benefits on the assumption that the full housing subsidy is an increase in income far overstates the reduction in the household's need for food stamp

assistance. An aided family may be well housed, but decent housing does not improve the family's ability to feed itself.

3. Counting housing assistance as income may force low income families to choose between living in decent housing and eating an adequate diet.

Reductions in food stamp allotments may leave a household with too little disposable income to meet its food needs. Consequently, the household may have to choose between having those needs go unmet or not participating in a housing assistance program. Either choice would frustrate the dual goals of Federal housing and food assistance programs.

4. Most of the benefit reductions would come from the elderly and single mothers with children. Most of those who would have benefits reduced if housing assistance were counted as income are households headed by elderly persons or households headed by single-mothers with dependent children. About one-third of food stamp households participating in the Section 8 program and in public housing are elderly. Nearly 60% of the food stamp households receiving Section 8 assistance and nearly half of those in public housing are single mothers with children.

In addition, those who would have benefits reduced are poor. Over half of all food stamp recipients receiving Section 8 aid, and nearly 60% of those in public housing, have annual gross incomes below \$3,000 a year. 85% of both Section 8 and public housing recipients who participate in the food stamp program have annual gross incomes below \$5,000 a year.

5. Section 8 subsidies may be difficult to value accurately. Under the Section 8 program, a household's subsidy is the difference between its rent payment and the fair market rent for the unit it occupies. Consequently,

accurate valuation of the subsidy depends on the correct measurement of fair market rent by local housing authorities. Because many Section 8 units may not have close counterparts in private housing markets, values must be assigned somewhat arbitrarily and are likely to be only approximate. In addition, there may be a tendency on the part of local housing authorities to over-value units to induce landlords to participate in the Section 8 program.

6. Accurate valuation of public housing units may be impossible. Even more than in the case of Section 8, public housing may differ greatly from any housing available in private markets and may thus have no comparable units which may be used in their valuation. The House Agriculture Committee report noted that "there is no known fair rental value for such housing, nor can such value readily be assigned." For some units, almost any value would be too high; lack of safety for residents, persistent vandalism, and inadequate maintenance can combine to make some units of little value.

Government costs do not provide a viable alternative. Costs are generally available only for entire complexes of public housing and equitable assignment of those costs to individual units is probably impossible. Changes in capital costs over time are likely to result in newer units showing much greater costs than older units; the differences are likely to be far greater than differences in the value of older and newer units. Most importantly, costs may bear no relation to the value of units. The worst and hence lowest value public housing units could well be the most costly because of increased need for security and high maintenance costs to repair damage due to vandalism. As a result, assigning dollar values to public housing units and counting the value of public housing as income does not appear to be possible.

7. Differences in rent levels across housing markets may generate inequitable differences in food stamp benefits for similar households. If food stamp benefits are to be reduced for families who receive housing assistance, the amount of benefit reduction should be related to the increase in the household's ability to purchase food. Since housing assistance subsidies are a function of general rent levels which may differ widely across housing markets, households which live in identical housing could have significant differences in food stamp allotments simply because they live in different places. For example, a household with a monthly cash income of \$400 would receive less than half as large a food stamp allotment (\$53 rather than \$109 per month) if it lived in a high cost metropolitan area where its housing was valued at \$500 per month rather than in a rural town where the same unit would be worth only \$200. Yet such a household would be no more able to purchase food if it lived in the more expensive housing market. The potential inequities of equally needy families receiving very different amounts of food stamp benefits are substantial.

8. Measuring housing assistance would be administratively complex and costly. Housing programs are extremely diverse and often indirect, so recipients themselves may be unaware that they are being given assistance. Consequently, contact with local housing authorities and other program administrators would be required to identify assistance recipients and to determine amounts of assistance. Besides initial checks for all households receiving food stamps, subsequent contacts would be necessary whenever an assisted housing unit changed occupants or the value of a household's subsidy changed. Increases in food stamp administration costs would result.